National Surface Transportation Policy and Revenue Study Commission

Steve Heminger
Executive Director, MTC

July 2008

METROPOLITAN TRANSPORTATION COMMISSION

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Tom Skancke CEO, The Skancke Company

Paul Weyrich Chairman and CEO, Free Congress Foundation

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Field Hearings

• September 20-21, 2006	Dallas, TX
• October 27, 2006	Portland, OR
• November 15-16, 2006	New York, NY Memphis, TN
• February 21-22, 2007	Los Angeles, CA Atlanta, GA
• March 19, 2007	Washington, DC
• April 18-19, 2007	Chicago, IL Minneapolis, MN

METROPOLITAN TRANSPORTATION COMMISSION

Statutory Mandate

- Study current condition and future needs of surface transportation system
- Evaluate short-tem sources for Highway Trust Fund revenues and long-term alternatives to replace or supplement fuel tax
- Frame policy and funding recommendations for 15-, 30-, and 50-year time horizons
- Report to Congress by January 1,2008

Rebuilding America

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Minnesota I-35 W

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Texas 1-20 West of Pecos

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Louisiana Hurricane Katrina U.S. 90 Ocean Springs

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2005 Report Card for America's Infrastructure

Aviation	D+
Bridges	C
Dams	D
Drinking Water	D-
Energy	D
Hazardous Waste	D
Navigable Waterways	D-
Public Parks and Recreation	C-
Rail	C-
Roads	D
Schools	D
Security	I
Solid Waste	C+
Transit	D+
Wastewater	D-
America's Infrastructure GPA	D

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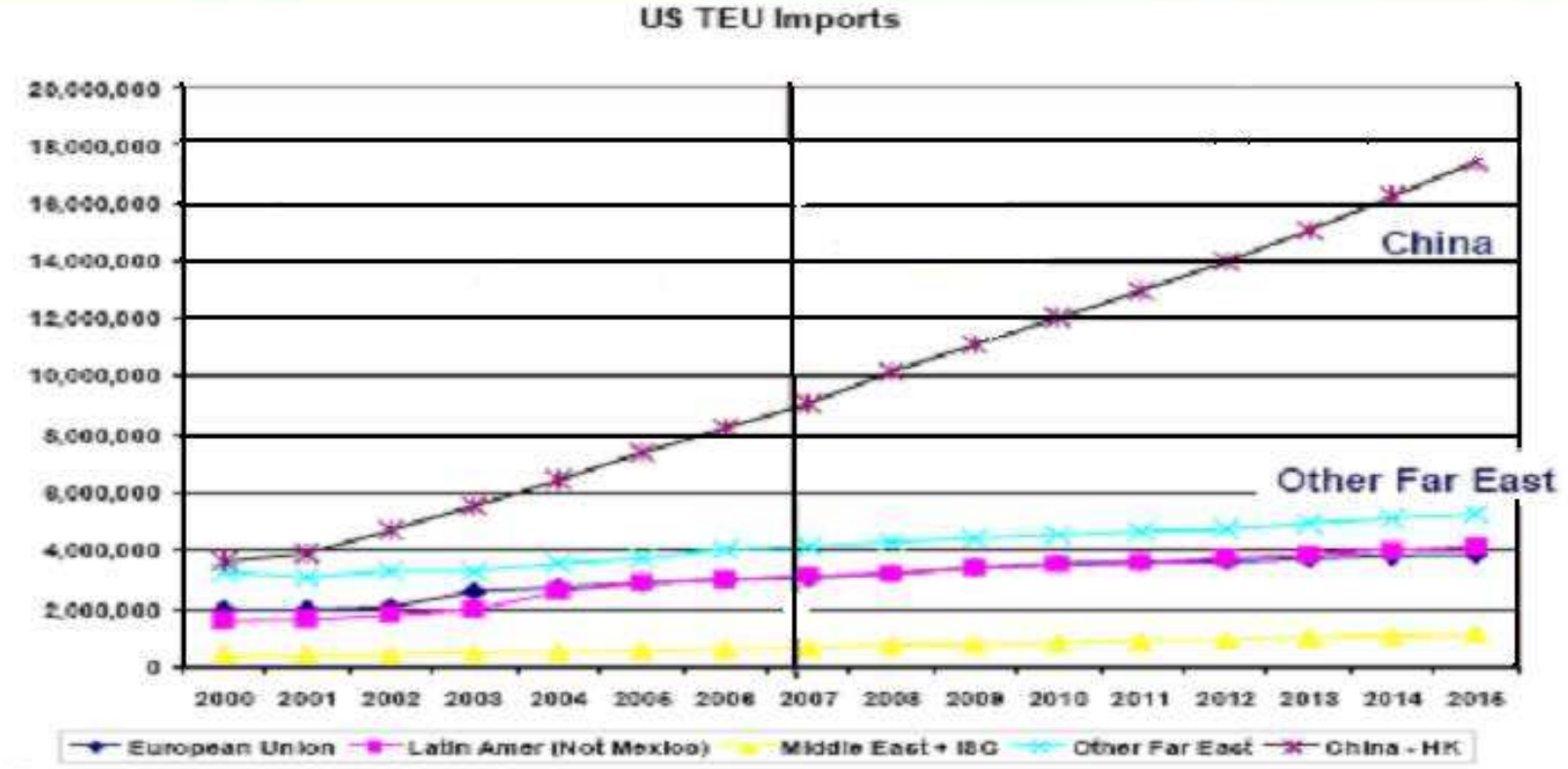
Sources: American Society of Civil Engineers, 2005

Freight

China was 33% of US imports in 2000 and will be 50% by 2010

U.S. TEU imports will slow to 6.3% in 2007, and 8.3% in 2008. Chinese imports will grow fastest (10% on average).

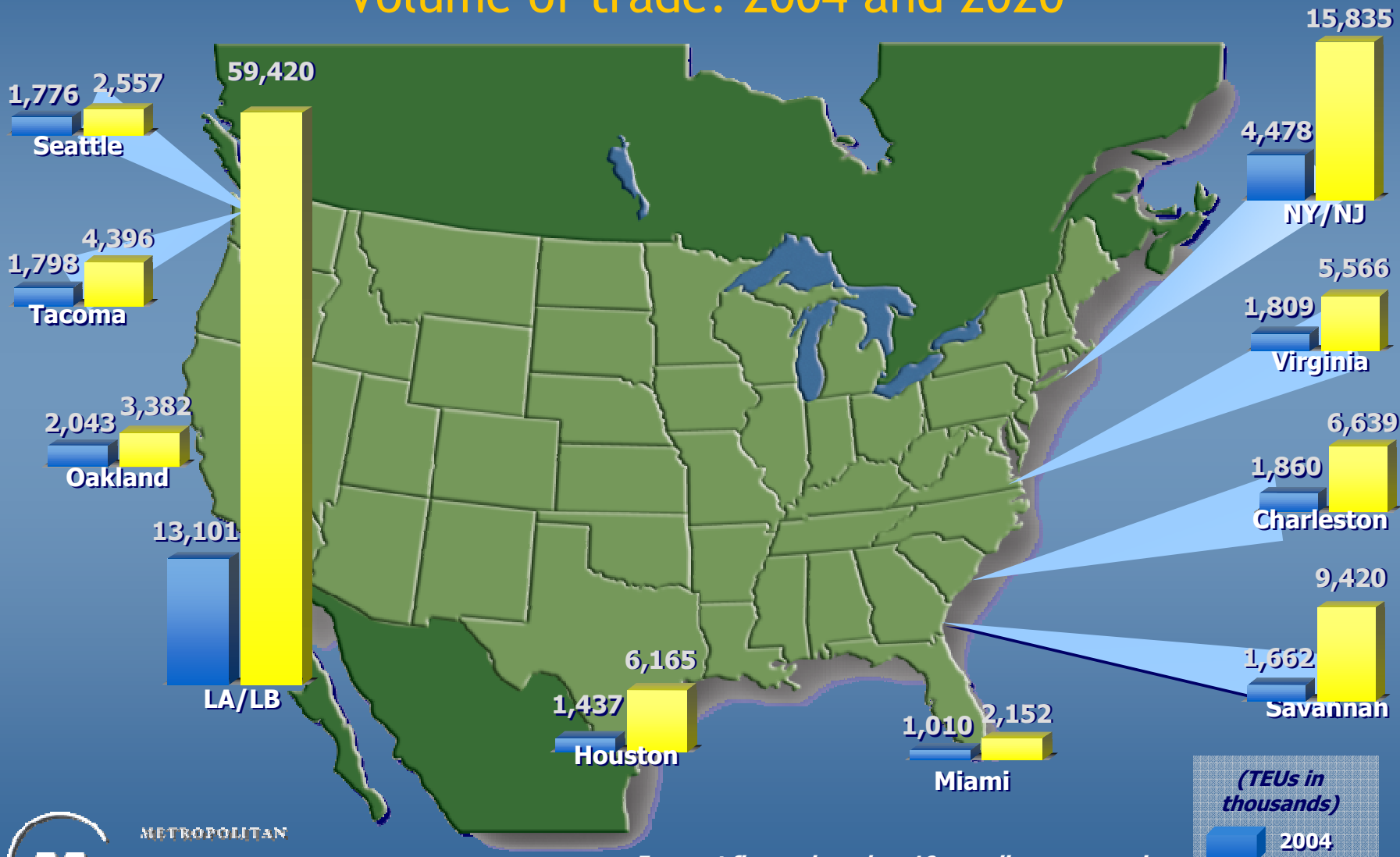


Source: Global Insight World Trade Service

GLOBAL INSIGHT

Dramatic Increase in U.S. Maritime Trade

Volume of trade: 2004 and 2020



Forecast figures based on 10-year linear regression

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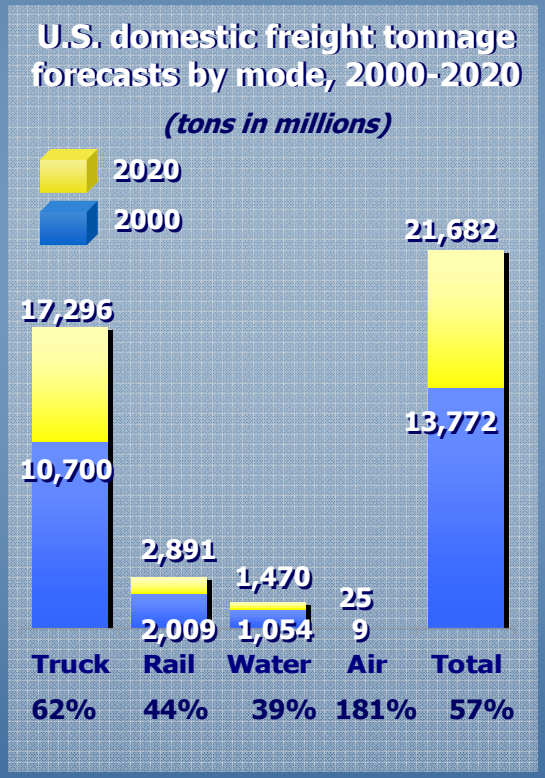
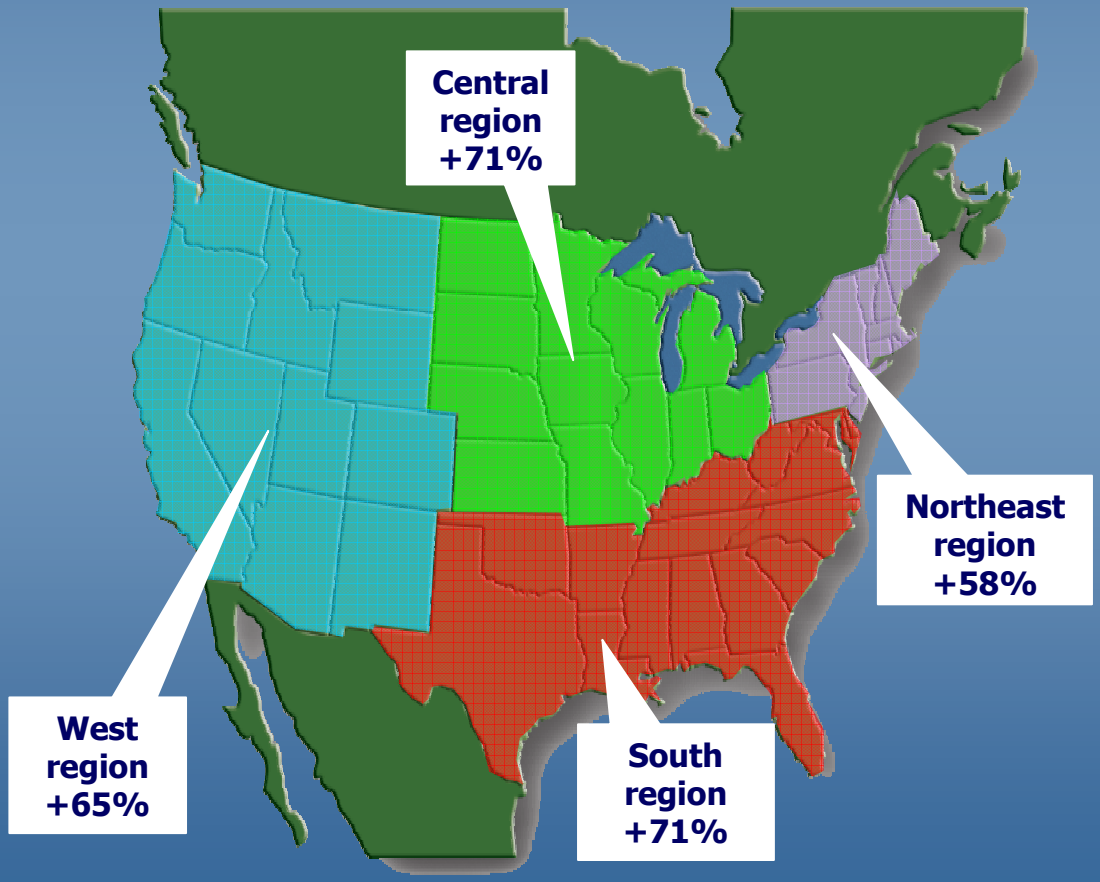
Source: U.S. DOT

More trade means more domestic freight movements

U.S. domestic freight tonnage growth forecast, 2000-2020





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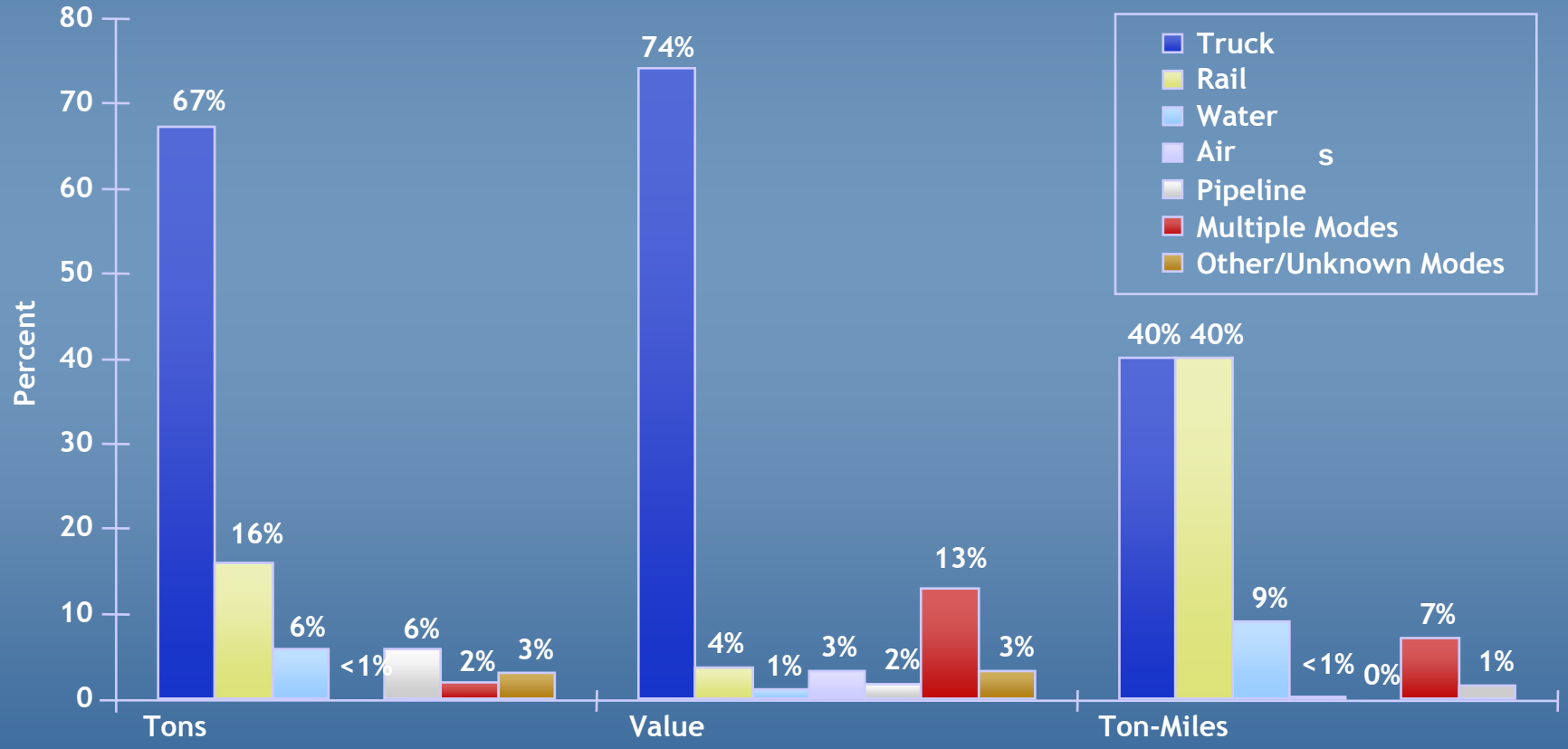
Source: U.S. DOT

Freight Tons, Value, and Ton-Miles, 2002

Trucking dominates domestic freight movement;
rail is critical to the movement of bulky, lower-value commodities
and for heavy shipments moving long distances



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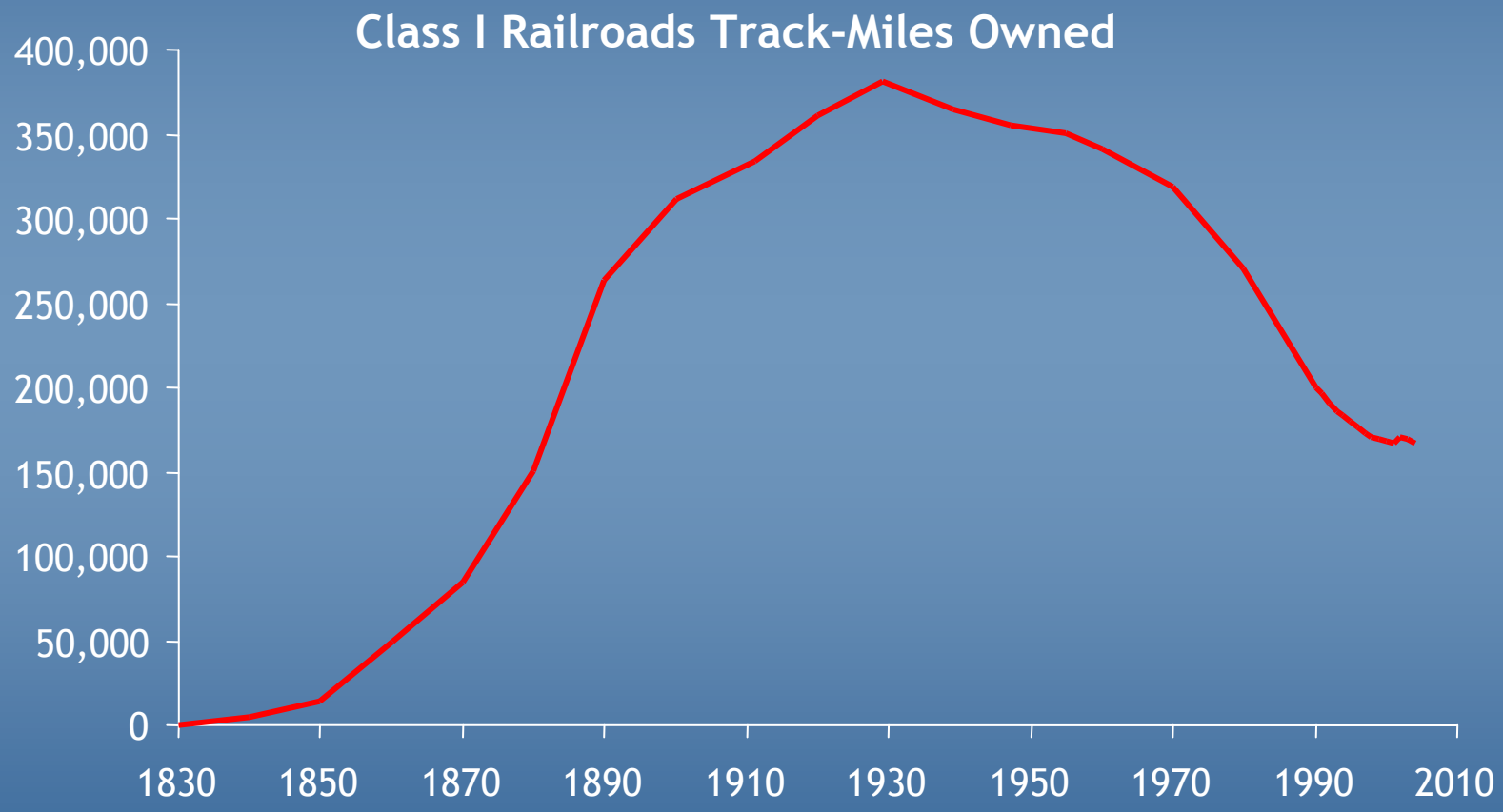
Source: Bureau of Transportation Statistics and U.S. Census Bureau, "2002 Economic Census, Transportation, 2002 Commodity Flow Survey," Table 1b.

Rail Network Today

Today's rail network has been rationalized and downsized to a core network that is descended directly from the 19th Century design



Sources: L. Thompson/World Bank and American Association of Railroads

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Metro Mobility

In Congestion for At Least 40 Hours Annually

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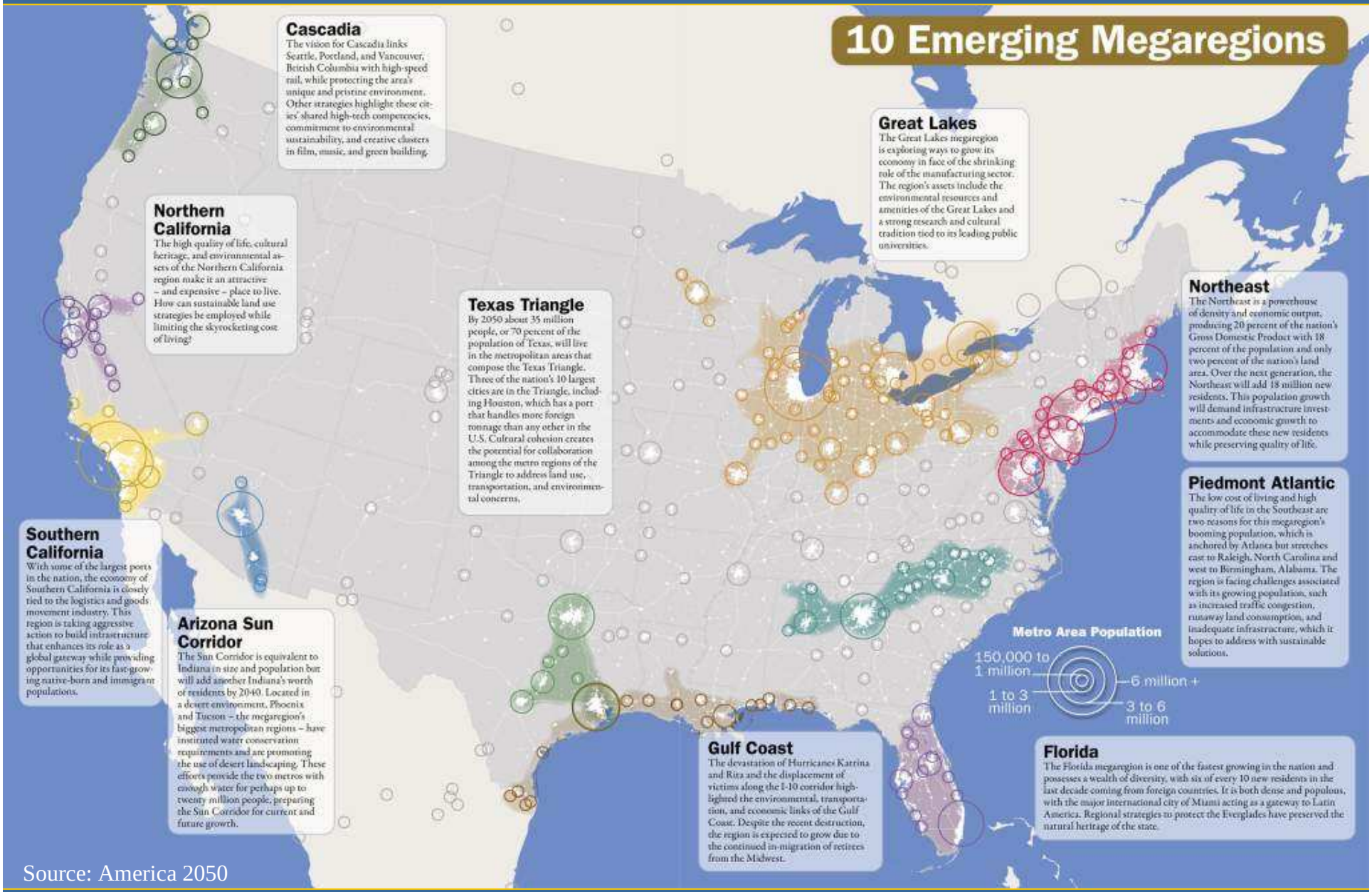
Source: Texas Transportation Institute



Source: America 2050

Metro Areas Greater Than 1 Million

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Source: U.S. Census

Metros Capture Huge Market Share

	10 Megaregions	Metro Areas >1 Million
1 Share of U.S. Population	68%	58%
2 Share of GDP	78%	61%
3 Share of Traffic Congestion	92%	97%
4 Share of Transit Ridership	93%	92%
5 Share of Population Exposure to Criteria Pollutants	94%	88%

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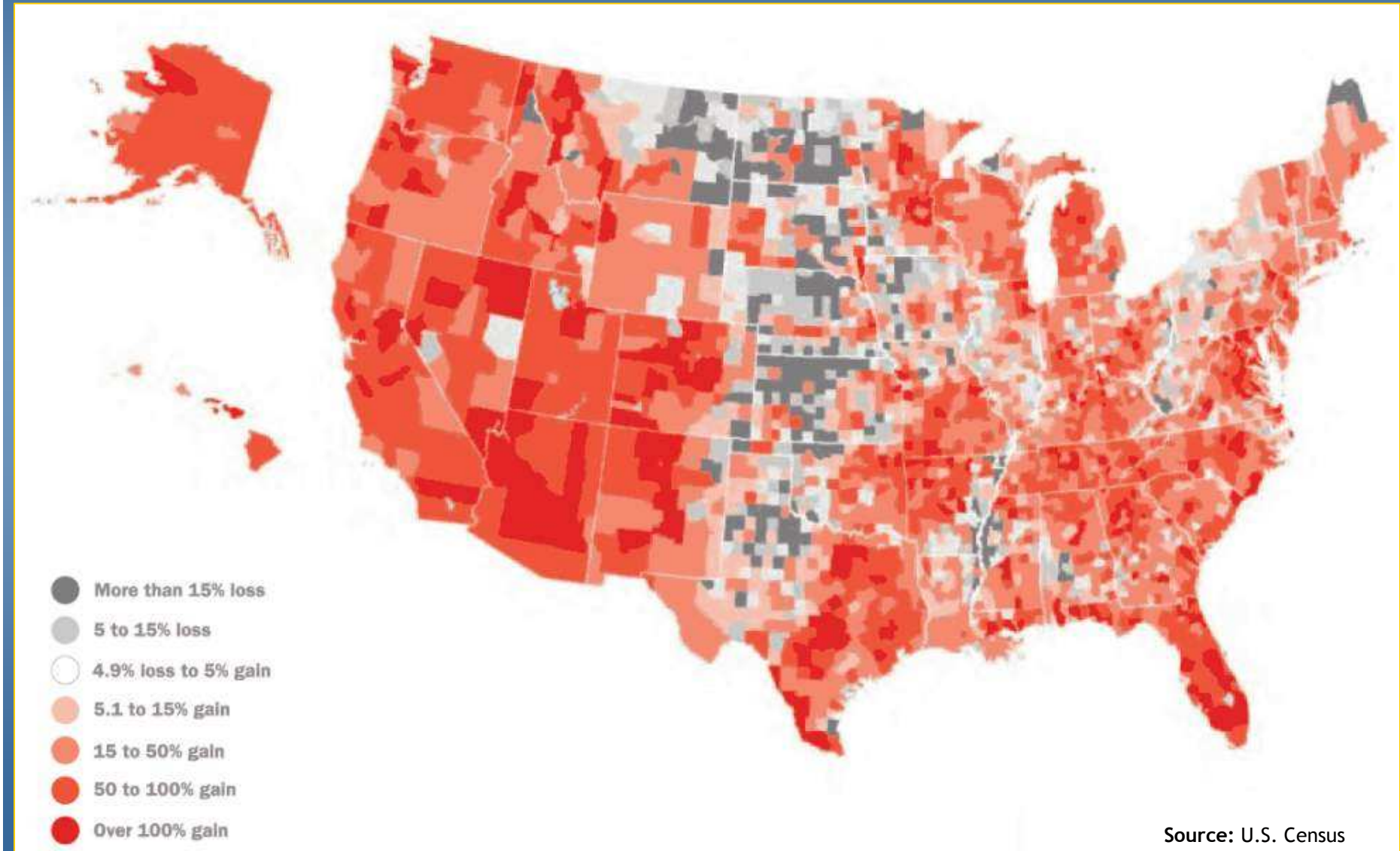
Sources: U.S. Census, Texas Transportation Institute, U.S. Conference of Mayors, EPA

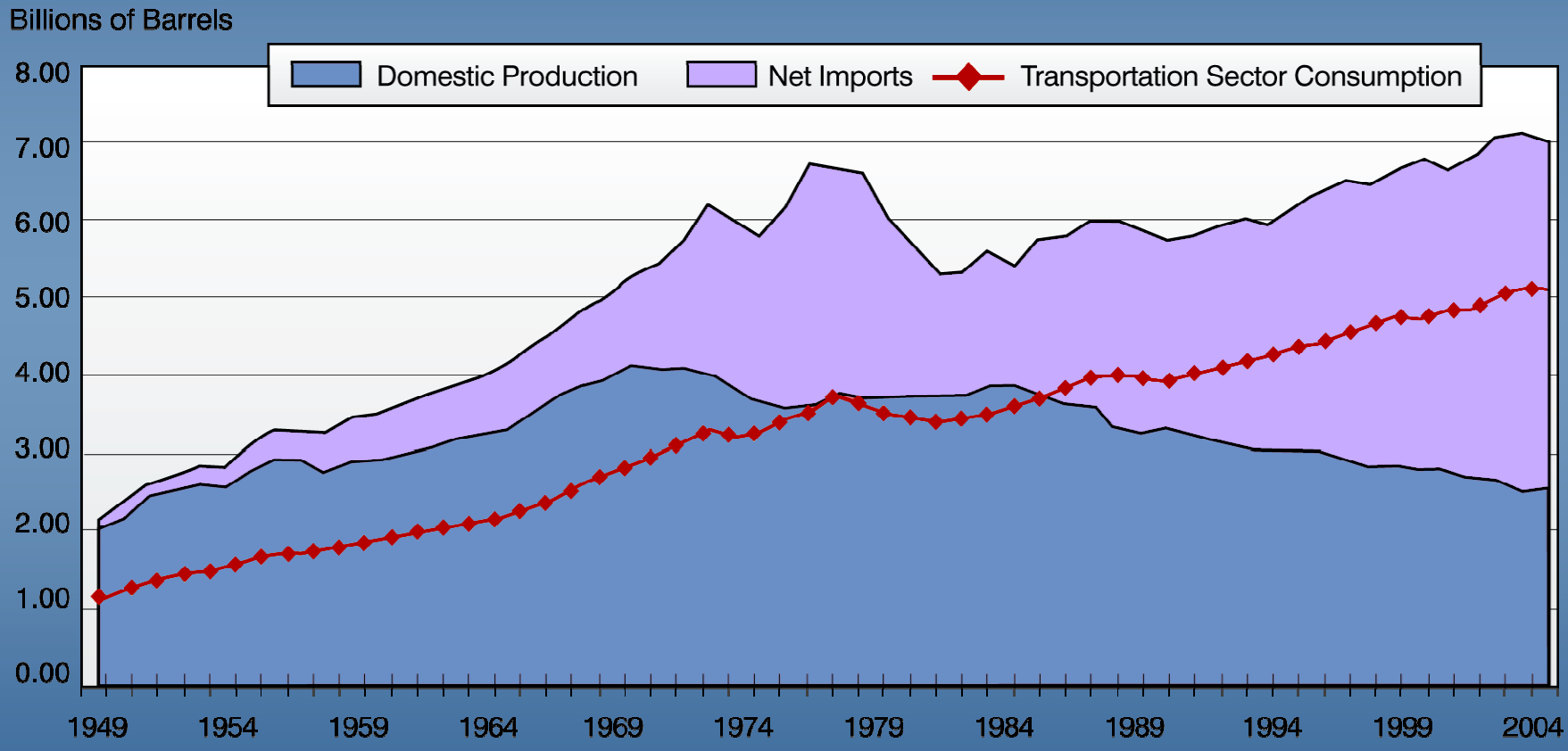
U.S. Population Change, 2000–2050



Source: U.S. Census

Fuel Efficiency/ Energy Security/ Climate Change

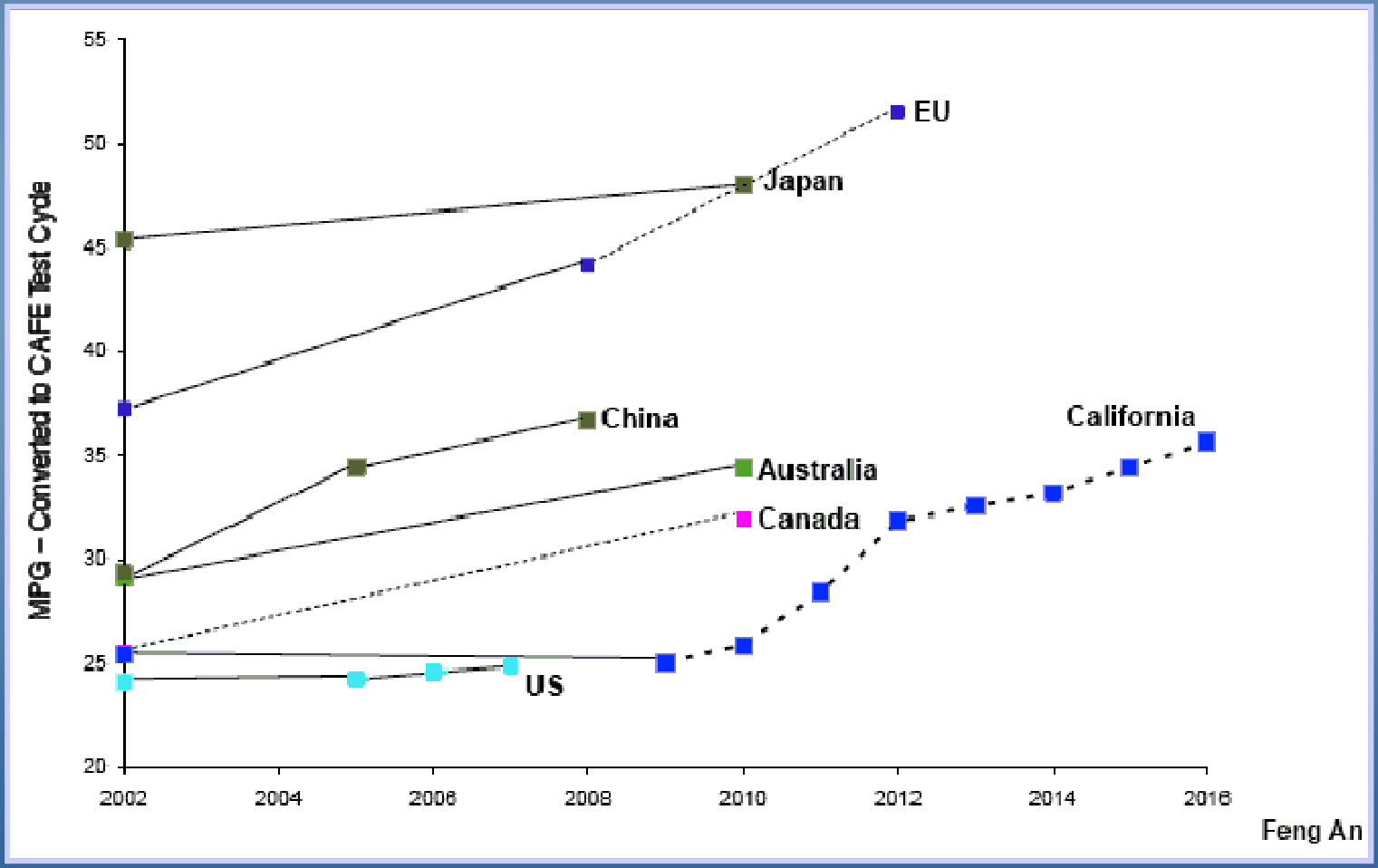
Annual Petroleum Production, Imports and Consumption In the U.S., 1949–2006



Source: Energy Information Administration

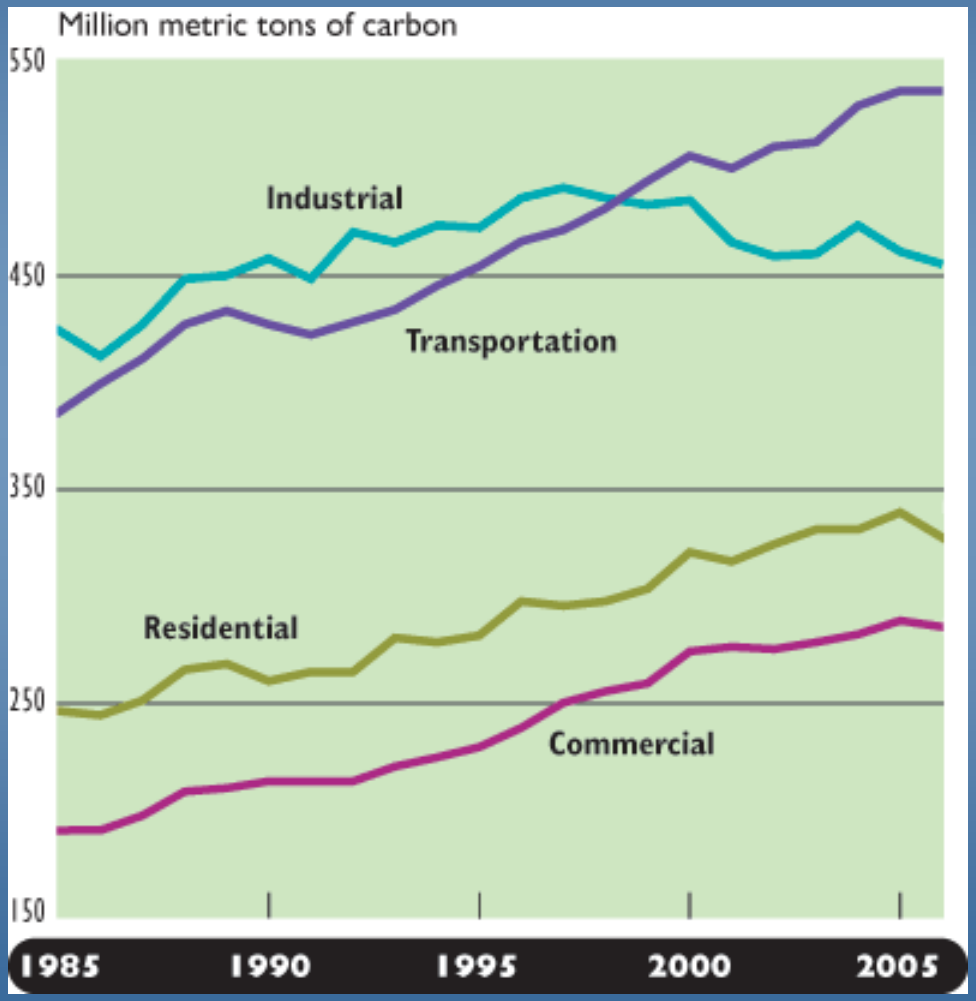
International Fuel Economy Comparison

Comparison of fleet average fuel economy and GHG emission standards for new-sale light-duty vehicles



Source: UC Berkeley

U.S. Carbon Dioxide Emissions from Energy Use: 1985-2006



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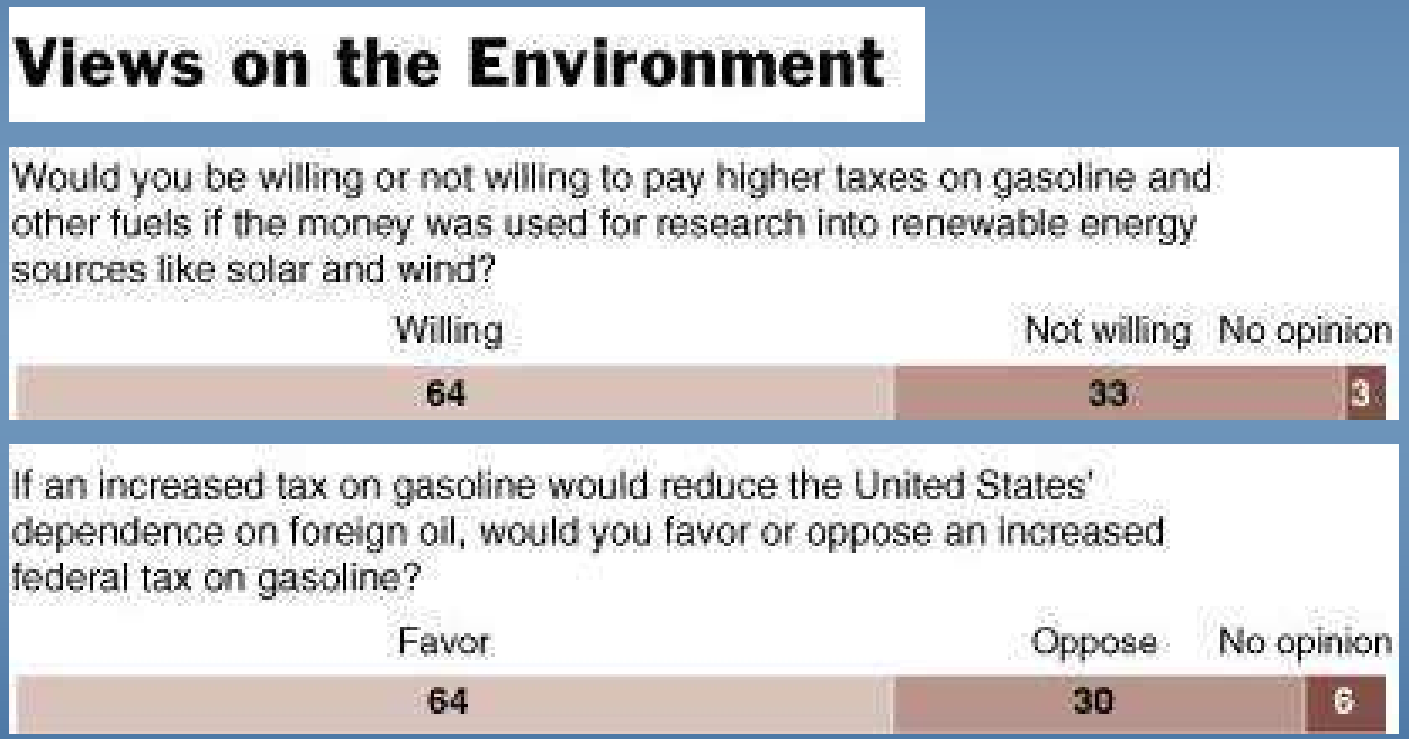
Source: Bureau of Transportation Statistics, 2007

Is the Public Ready for Change?



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Source: The New York Times / CBS News Poll, April 2007

Safety

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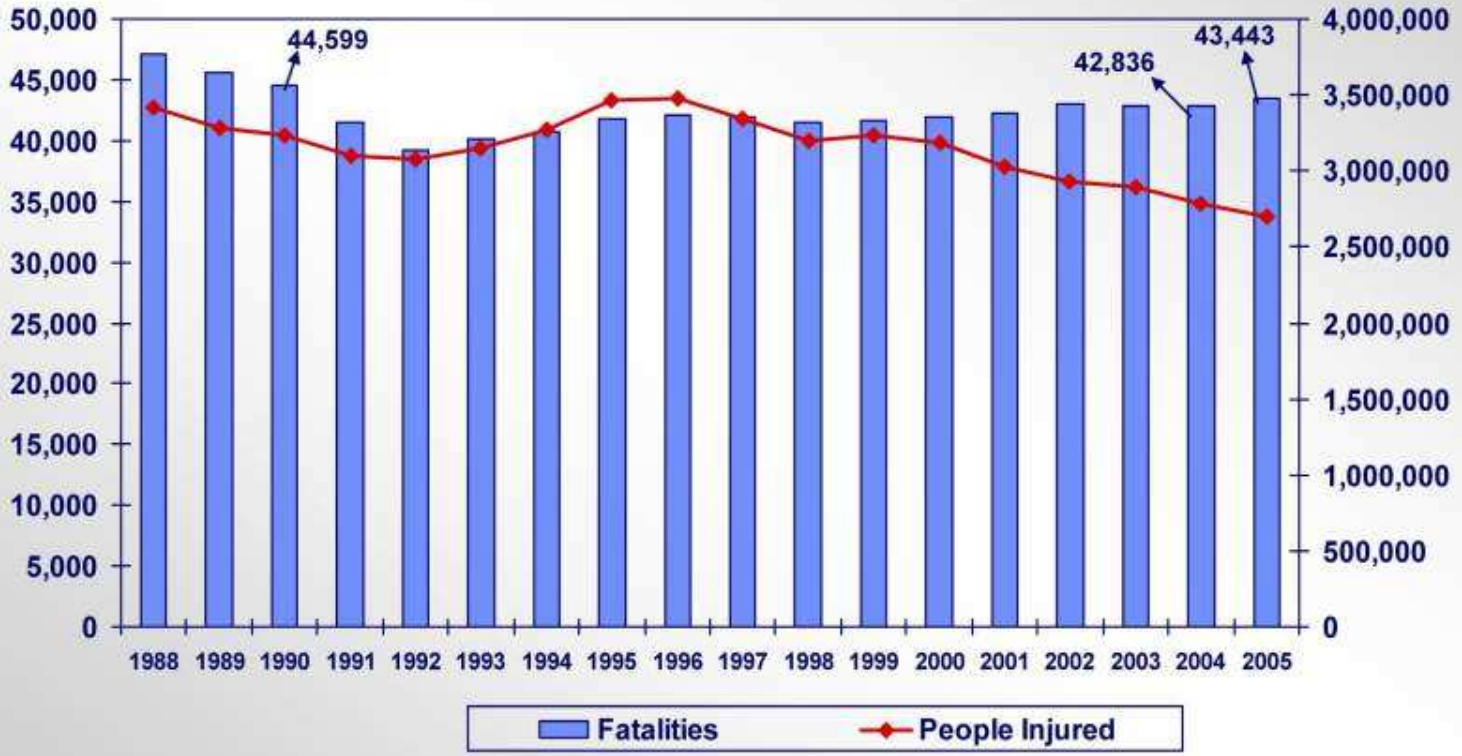
www.nhtsa.gov

NHTSA

People Killed and Injured In Traffic Crashes, by Year



Source: FARS

2005 Annual Assessment of Motor Vehicle Crashes

Released August 22, 2006

NCSA

NHTSA's National Center for Statistics & Analysis

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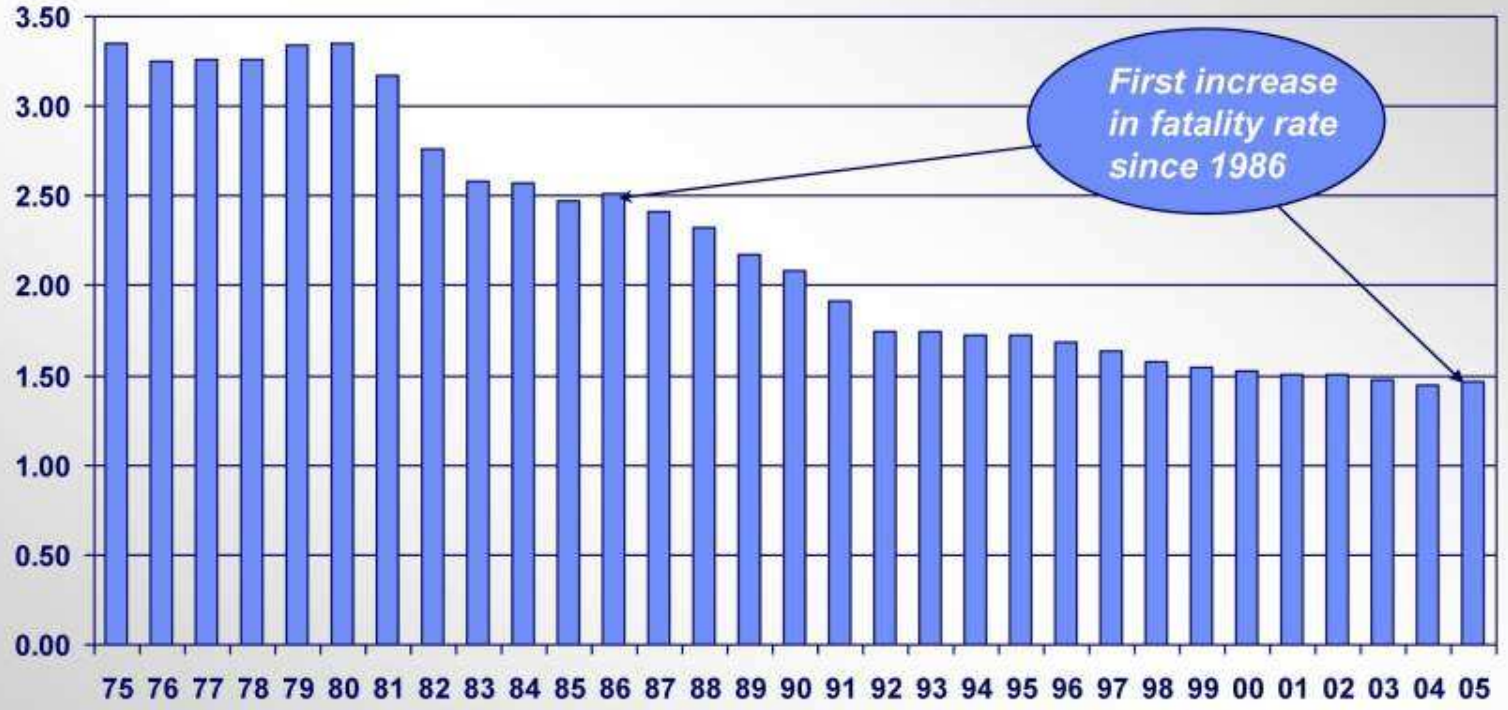
www.nhtsa.gov

NHTSA

Fatality Rate Per 100 Million VMT, by Year



Sources: FARS, FHWA

NCSA

2005 Annual Assessment of Motor Vehicle Crashes

Released August 22, 2006

NHTSA's National Center for Statistics & Analysis

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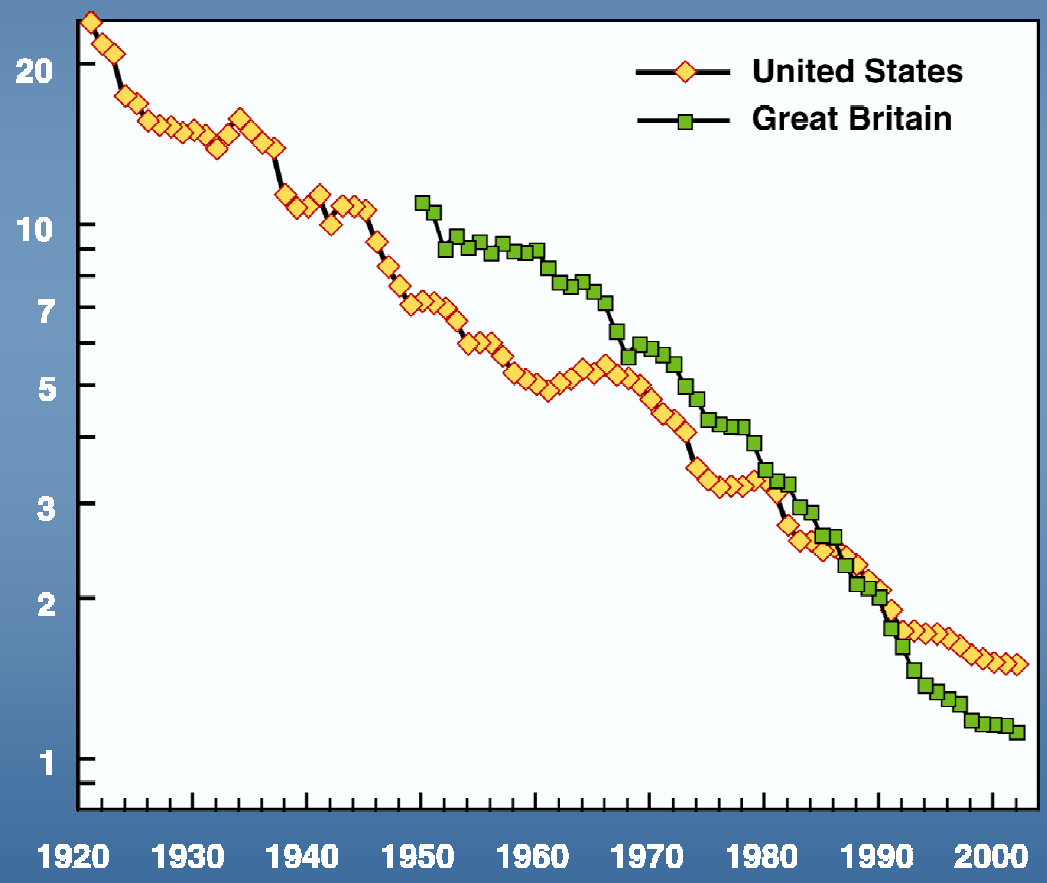
U.S. and G.B. Traffic Fatalities Per 100 Million VMT



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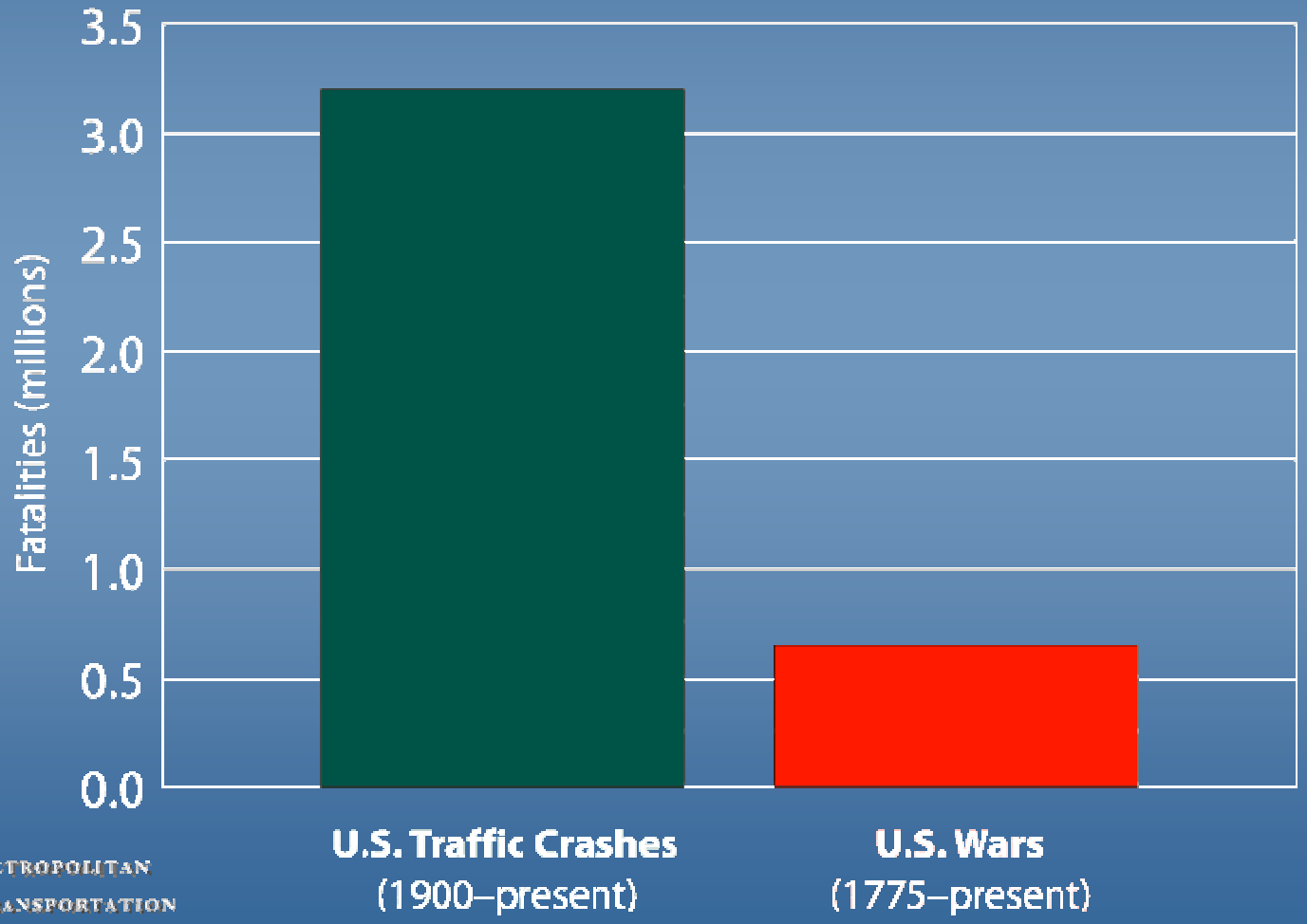
Source: Leonard Evans, Traffic Safety, 2004

U.S. Traffic Deaths Far Exceed Casualties of War



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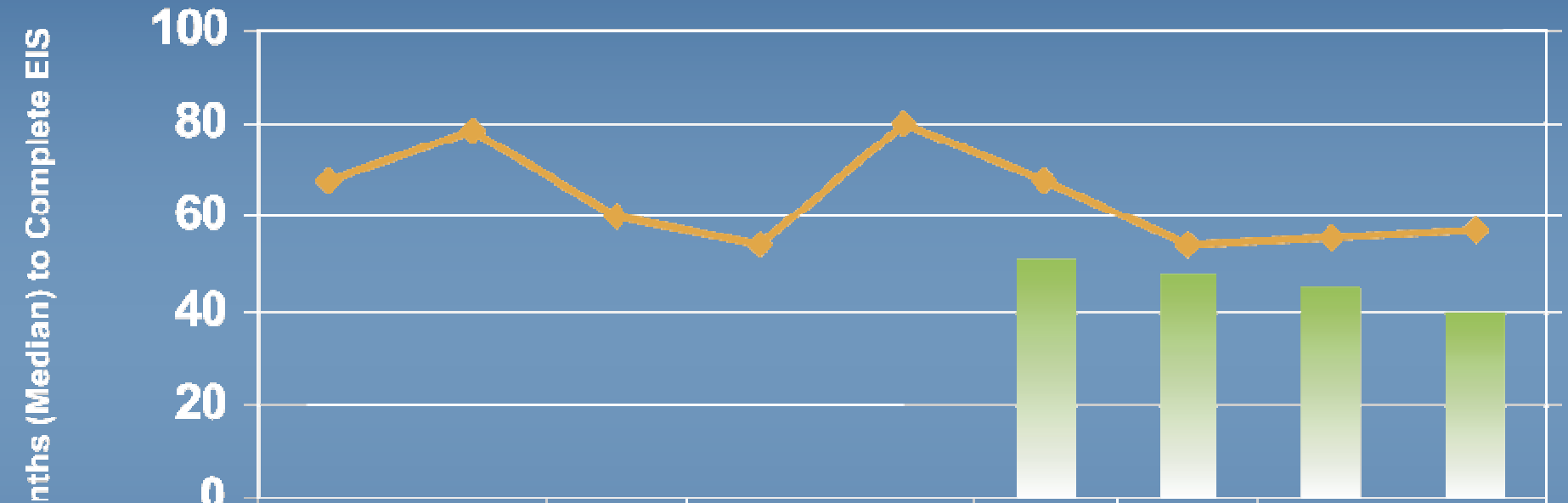
Source: Leonard Evans, Traffic Safety, 2004

What's Broken?

Environmental Impact Statement

Processing Time (FY 1998–2006)



	1998	1999	2000	2001	2002	2003	2004	2005	2006
Target						51	48	45	40
Actual	68	79	60	54	80	68	54	56	57

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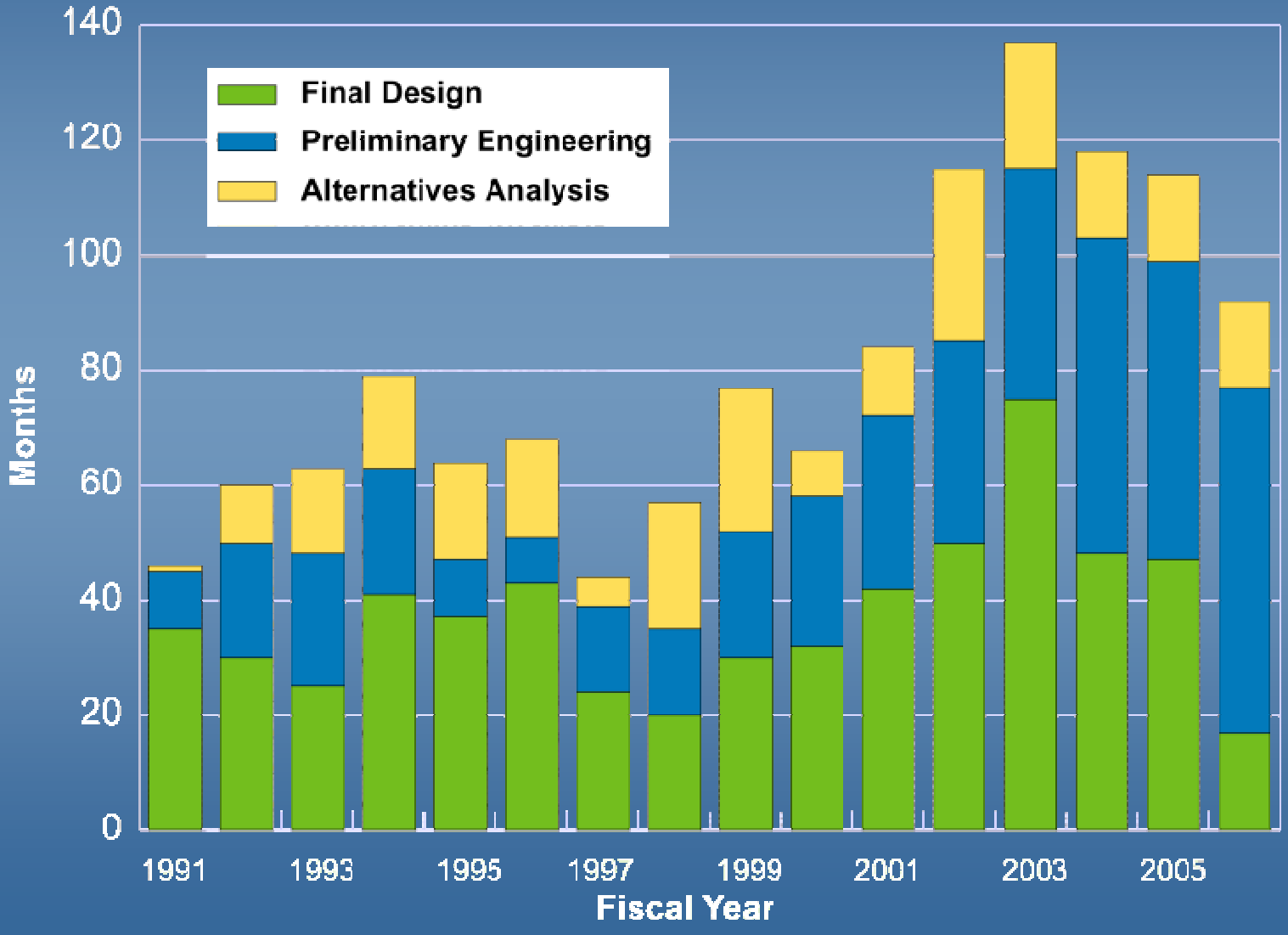
Source: FHWA

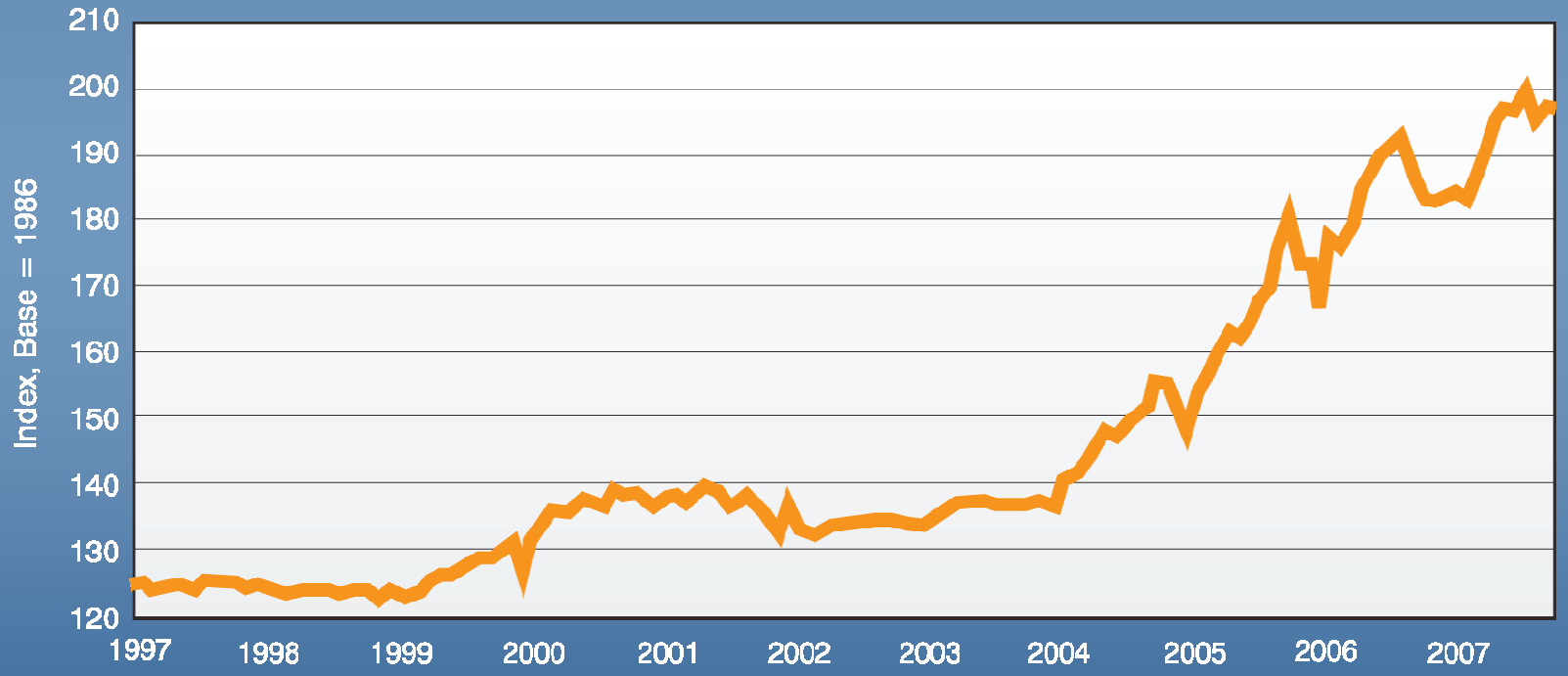
Length of Time to Complete the New Starts Process



Source: Holland & Knight

Street and Highway Construction Costs Have Increased Dramatically Over the Past Few Years

Highway and street construction costs, 1997-2007



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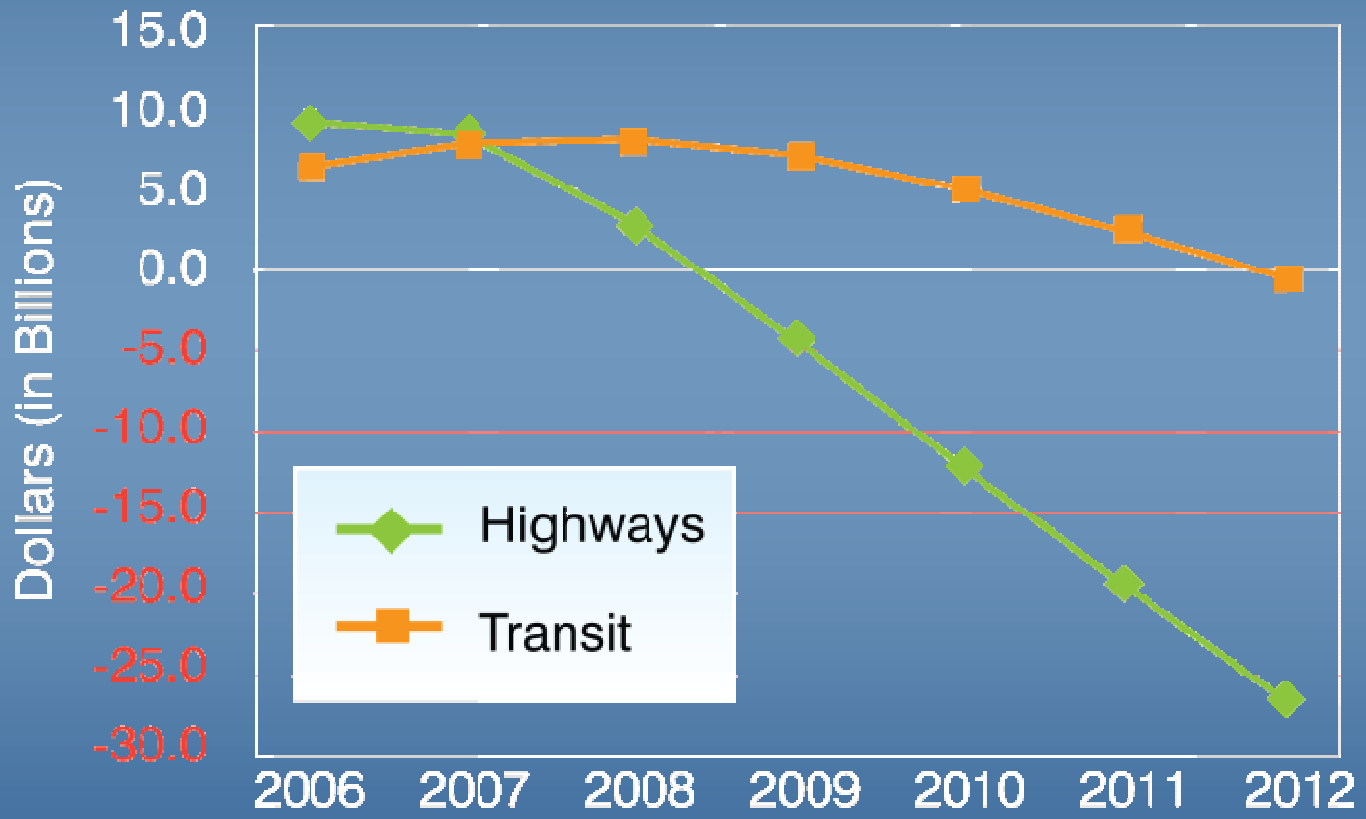
Source: Bureau of Labor Statistics

Finance

Projected Highway and Transit Account Balances Through 2012



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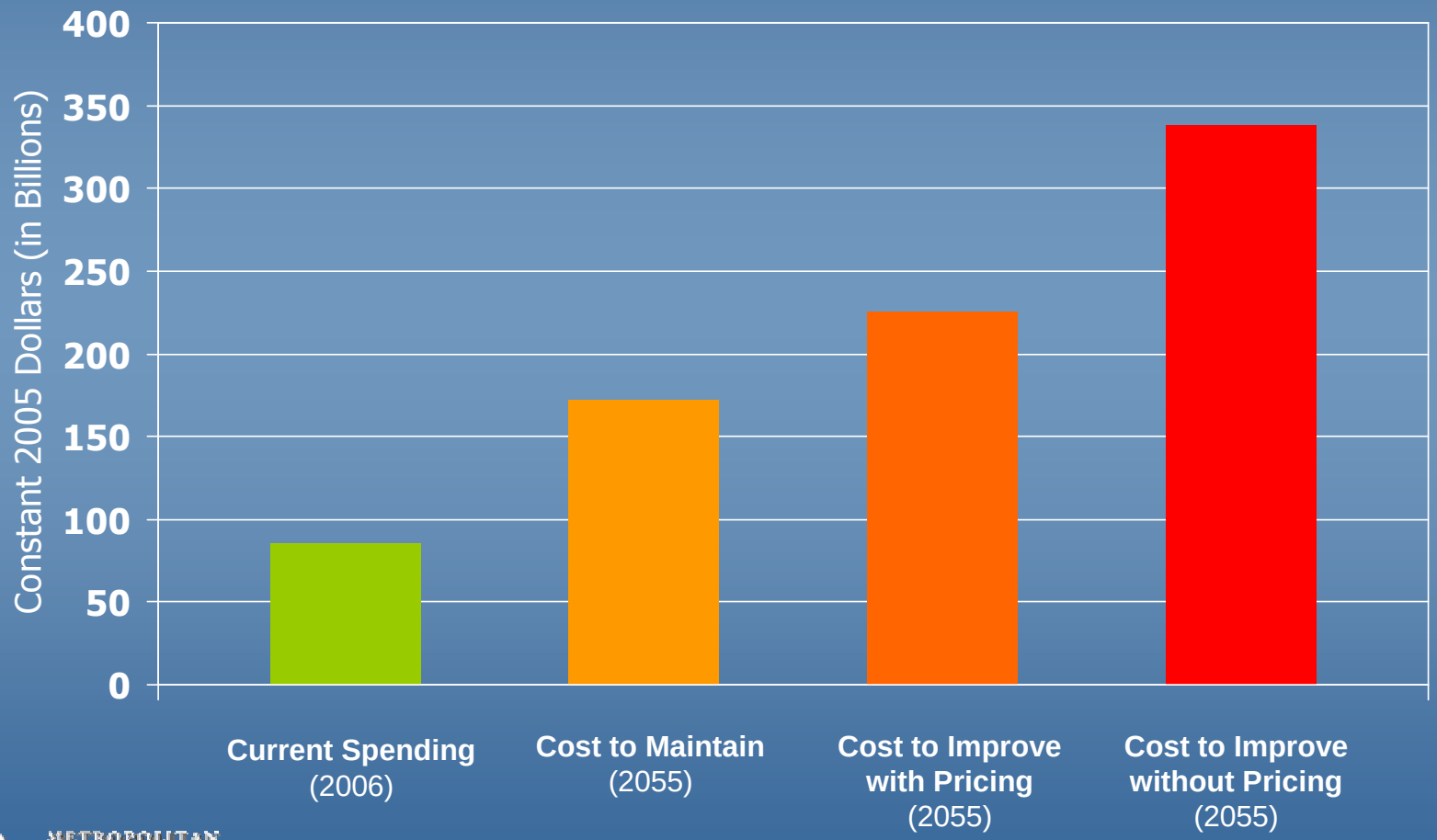
Source: U.S. Department of the Treasury projections

Annual National Funding Gap



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Source: Section 1909 Commission

Major Recommendations

1. The federal surface transportation program should not be reauthorized in its current form. Instead, we should make a new beginning.
2. The federal program should be performance-driven, outcome-based, generally mode-neutral, and refocused to pursue objectives of genuine national interest.

Major Recommendations

3. The 108 separate highway, transit, railroad, and safety funding categories in federal law should be consolidated into the following 10 new federal programs:

Current Federal Surface Transportation Programs	
Federal Highway Administration	62 programs
Federal Transit Administration	20 programs
Federal Railroad Administration	6 programs
National Highway Traffic Safey Administration	12 programs
Federal Motor Carrier Safey Administration	8 programs
Total	**108 programs**

Proposed Federal Surface Transportation Programs	
1.	**Rebuilding America** — state of good repair
2.	**Global Competitiveness** — gateways and goods movement
3.	**Metropolitan Mobility** — congestion relief in major urban areas
4.	**Connecting America** — connections to smaller cities and towns
5.	**Intercity Passenger Rail** — regional networks in high growth corridors
6.	**Highway Safety** — incentives to save lives
7.	**Environmental Stewardship** — both human and natural environments
8.	**Energy Security** — development of alternative transportation fuels
9.	**Federal Lands** — providing public access on federal property
10.	**Research & Development** — a coherent national research program

Major Recommendations

4. The various modal administrations of the U.S. Department of Transportation should be reorganized into functional units.

U.K. Model	
Former	**New**
Road	City/Regional Networks
Rail	National Networks
Air	International Networks
Sea	

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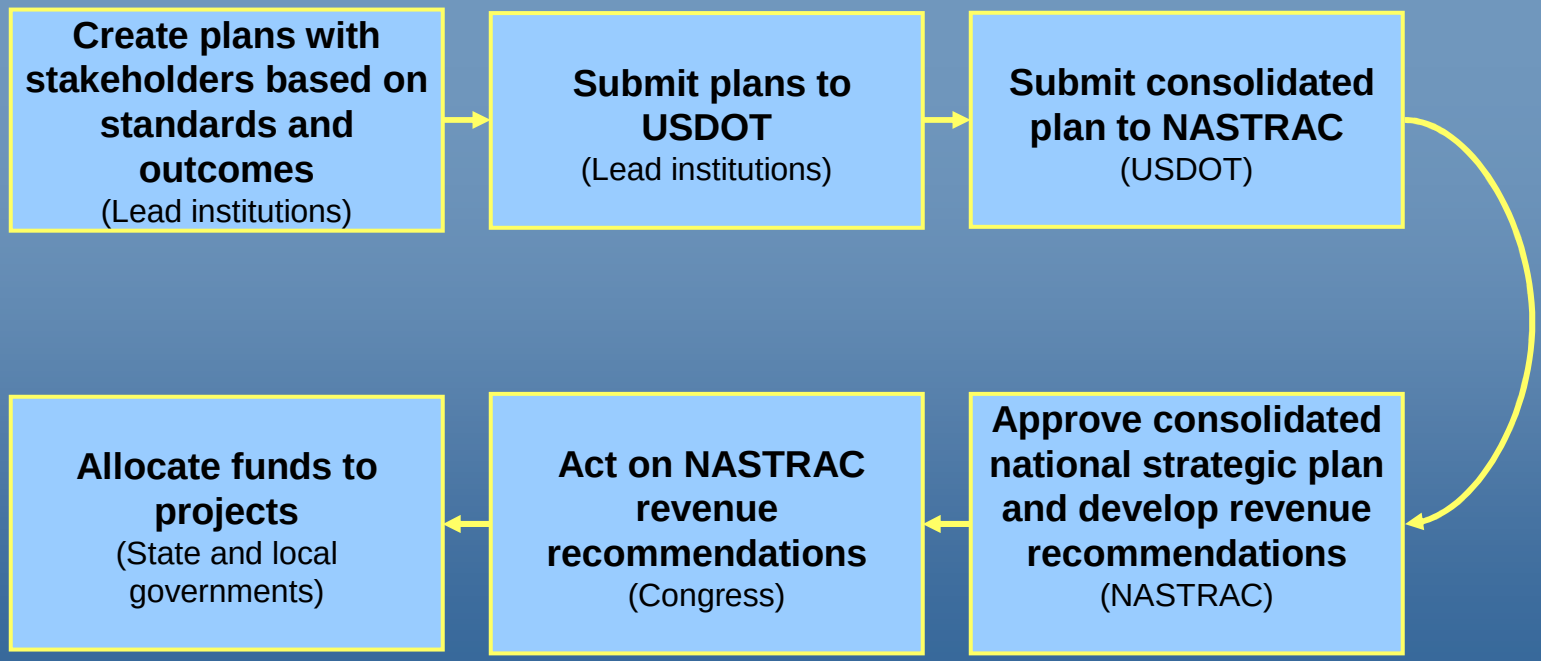
Major Recommendations

5. Congress should establish an independent National Surface Transportation Commission (NASTRAC). The new federal commission would perform two principal planning and financial functions as shown below:

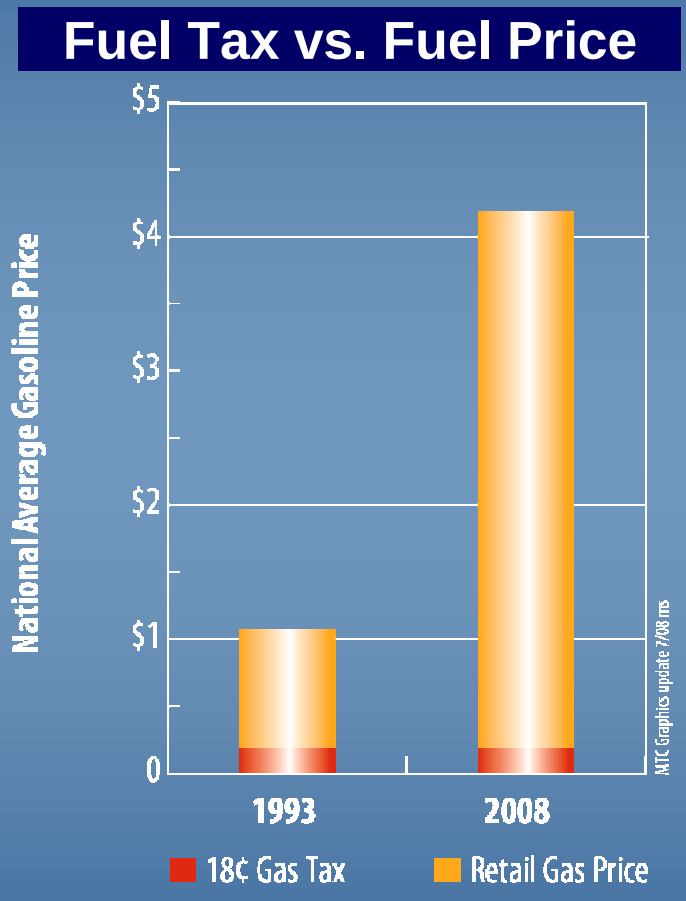


Major Recommendations

6. The project delivery process should be reformed by retaining all current environmental safeguards, but significantly shortening the time it takes to complete reviews and obtain permits.
7. The annual investment shortfall to improve the condition and performance of all modes of surface transportation — highway, bridge, public transit, freight rail, and intercity passenger rail — ranges between $140-250 billion.

Major Recommendations

8. To address this investment shortfall by providing the traditional federal share of 40% of total transportation capital funding, the federal fuel tax needs to be raised by 25-40 cents per gallon. This rate increase should be indexed to the construction cost index and phased in over a period of years.



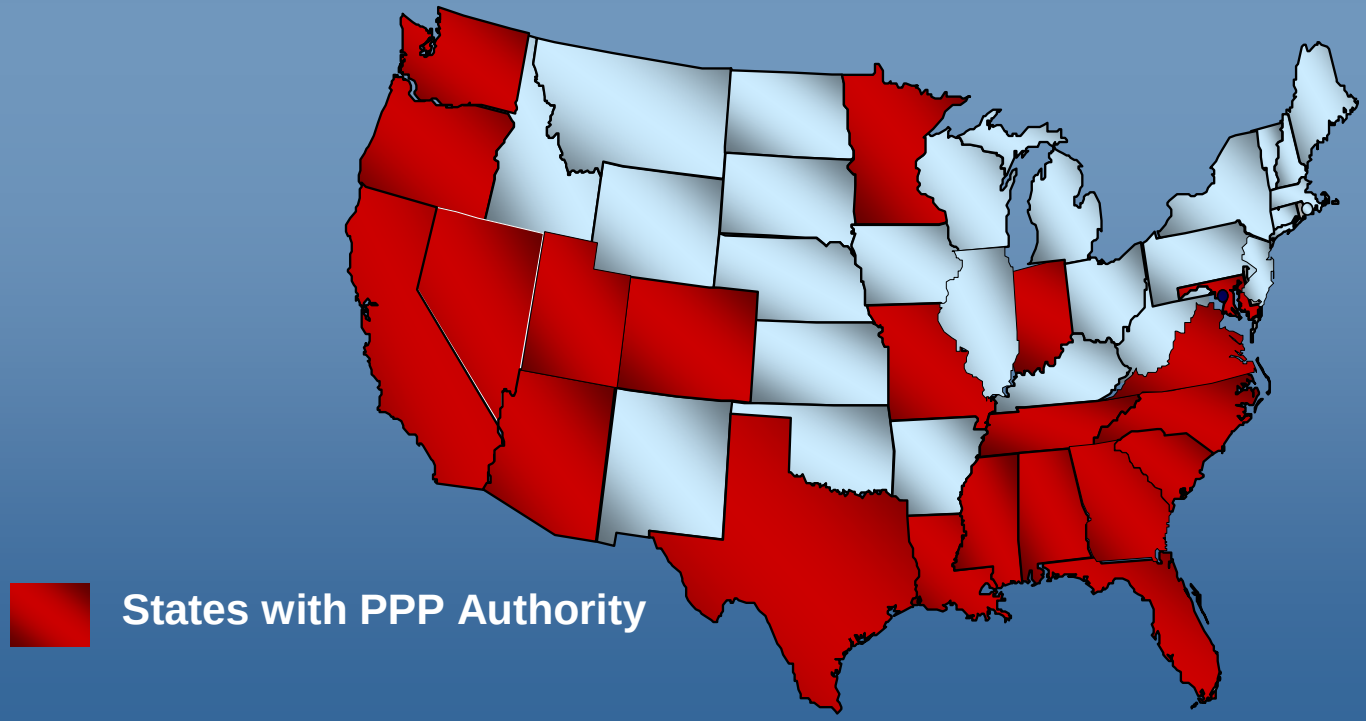
Source: AAA

Major Recommendations

9. Other federal user-based fees also should help address the funding shortfall, such as a container fee for freight projects and a ticket tax for passenger rail improvements.
10. The fuel tax continues to be a viable revenue source for surface transportation at least through 2025. Thereafter, the most promising alternative revenue measure appears to be a vehicle miles traveled (VMT) fee, provided that substantial privacy and collection cost issues can be addressed.
11. The deployment of peak-hour "congestion pricing" on Interstate highways in major metropolitan areas should be permitted, provided that revenues generated by this strategy are restricted to transportation purposes in the travel corridors where the fees are imposed.

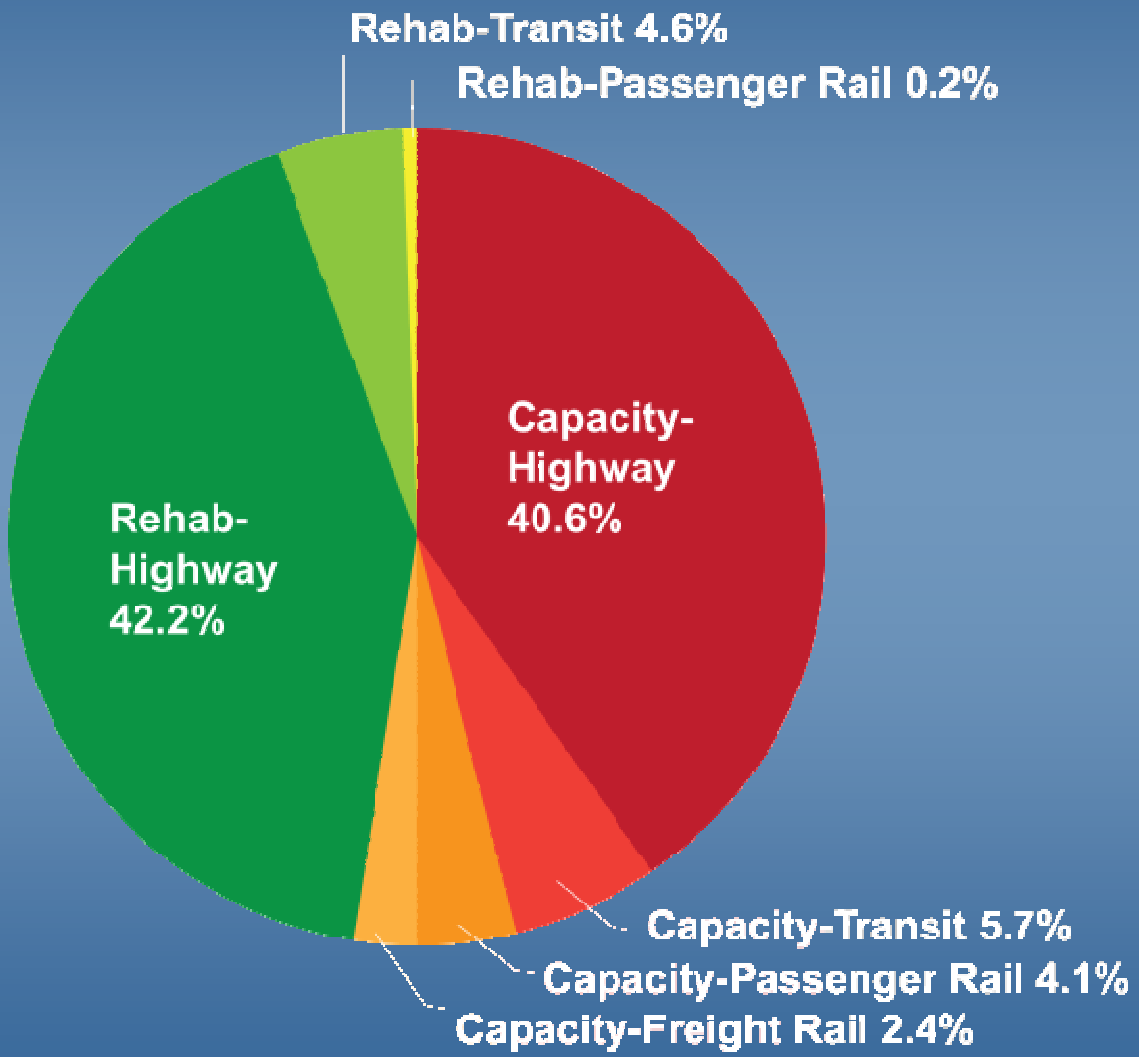
Major Recommendations

12. Public-Private Partnerships should be encouraged as a means of attracting additional private investment to the surface transportation system, provided that conditions are included to protect the public interest and the movement of interstate commerce.



States with PPP Authority

Cost to Improve by Category



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Source: Section 1909 Commission

"By these operations (roads and canals) new channels of communication will be opened between the States, the line of separation will disappear, their interests will be identified, and their union cemented by new and indissoluble ties"

— Thomas Jefferson, 1806

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"We may now look forward with confidence to the day, not far distant, when the Pacific will be bound to the Atlantic by iron bonds, that shall consolidate and strengthen the ties of nationality, and advance with great strides the prosperity of the State and of our Country."

— Leland Stanford, 1863

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"Our unity as a nation is sustained by free communication of thought and by easy transportation of people and goods... Together the unifying forces of our communication and transportation systems are dynamic elements in the very name we bear — United States. Without them, we would be a mere alliance of many separate parts."

— Dwight D. Eisenhower, 1955

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National Surface Transportation Policy
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For More Information:

www.transportationfortomorrow.org